Cut in repo rate by RBI

1446. SHRI KALRAJ MISHRA: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India had cut the repo rate by 50 basis points to 4.5 percent with effect from August 25, 2003 following decline in inflation, good monsoon and increase in forex reserves to a record $85.415 billion; and

(b) if so, how the inflation rate has since moved and how the repo-rate has been adjusted?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) Yes, Sir. The Reserve Bank of India had reduced both the one-day and fourteen day repo rate under the Liquidity Adjustment Facility (LAF) from 5.0 percent to 4.5 percent on August 25, 2003 in view of the prevailing macro-economic and overall monetary conditions.

(b) The annual inflation rate, based on Whole Sale Price Index (WPI) on a point to point basis, has fluctuated within the range of 3.82-5.39 percent during the period August 23, 2003 upto November 22, 2003. The repo rate has remained at 4.5 percent since August 25, 2003.

Ban on investment by Overseas Commercial Banks

1447. SHRI KALRAJ MISHRA: Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has lately imposed a ban on investments by Overseas Commercial Banks (OCBs) in the equity markets, FDI, mutual fund schemes, units of UTI, real-estate company, fixed deposits and debentures; and

(b) if so, the main objectives for imposing such a ban, and how far it is purported to prevent or restrict NRI investments and mobilization of NRI funds?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) Yes, Sir.

(b) The decision to derecognise the Over seas Corporate Bodies (OCBs) is a follow-up of the review of investment activities of OCBs in

India carried out by the RBI on the recommendations of the Joint Parliamentary Committee on Security Market Scam. The measure would not restrict or prevent NRI investments as Non-Resident Indians (NRIs) continue to enjoy all the facilities available to any other foreign investor, including automatic route for foreign direct investment.

New methods of measuring market risks

1448. SHRI R. K. ANAND: Will the Minister of FINANCE be pleased to state:

(a) whether Government/Reserve Bank of India has introduced new methods of measuring market risks such as value at risk and pre-commitment approaches to provide standardized and tighter framework for the Banking Sector;

(b) if so, in what manner, such measures would significantly enhance risk sensitivity in developing economies;

(c) whether the banking sector in the country has the necessary wherewithal's and sophisticated management information system to adopt the approach in the contemplated time frame; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) No, Sir.

(b) to (d) Do not arise.

Understatement of NPAs by Banks

1449. SHRI SANTOSH BAGRODIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that most banks both nationalised as well as private understate their Non Performing Assets;

(b) if so, Government's reaction thereto; and

(c) what steps Government would take to curb such practices by the banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL): (a) No, Sir.

(b) and (c) Do not arise.